



The Value of Project Management

IMPLEMENTING PROJECT MANAGEMENT adds significant value to organizations. This conclusion is the result of a survey of more than 100 senior-level project management practitioners by the Center for Business Practices, the research arm of the consulting and training organization, Project Management Solutions, Inc. More than 94% of the respondents stated that implementing project management added value to their organizations. Organizations cited significant improvements in financial measures, customer measures, project/process measures, and learning and growth measures. All size organizations in all industries reported improvement.

What should organizations expect when implementing project management initiatives? Average improvements on the order of 50% in project/process execution, 54% in financial performance, 36% in customer satisfaction, and 30% in employee satisfaction were noted by the companies surveyed. Those organizations that do not implement project management will be at a competitive disadvantage to those who do.

The CBP surveyed senior practitioners with knowledge of their organizations' project management practices and their organizations' business results. The results showed improvements to the organization because of the implementation of project management initiatives. The survey revealed that most companies strategically rely on multiple coordinated project management improvement initiatives rather than just one or two. Organizational initiatives included implementing a project office, a project management methodology, project management software, integrating project management into key company processes, training staff in project management tools and techniques, and deploying a development program for project staff. Over 70% of the organizations implemented three or more initiatives within the past 3 years.

Survey results document the years engaged in project management (3.12), the dollars spent on project management (\$676,000/year), and the number of employees engaged in project management (235). Means, medians, and standard deviations of 38 measures are provided, along with charts showing the individual company responses. Tables listing the criteria used to measure improvements are included.

The survey sample was segmented according to company size, including small businesses with annual revenue under \$100 million, midsize organizations with revenue between \$100 million and \$999 million, and large companies with annual revenue of \$1 billion or more. The study sample was also segmented according to several industries (information; professional, scientific, and technical services; and manufacturing).

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The Value of Project Management survey goes a long way in validating the considerable gains an organization can make by planning and instituting formal project management practices.

Observations and conclusions drawn from the study include the following:

- The responses to the survey were almost all significantly positive, for all measures, for all industries, for all size organizations — project management definitely adds value to organizations.
- Those measures that received the most responses revealed significant gains — productivity, customer satisfaction, employee satisfaction, and project budget, schedule, and requirements performance.
- Some organizations showed enormous gains in specific measures (these huge gains skew the mean; in many cases, the median provides better insight than the mean).
- The majority of respondents (59%) represented Fortune 1000 organizations, although all size organizations were represented.
- Most industries were represented, with the highest response from Information (19%), Manufacturing (16%); Professional, Scientific, and Technical Services (16%); Finance & Insurance (10%); and Utilities (10%).
- The implementation of project management is new to most organizations—within the last three years.
- 71% of respondents implemented three or more project management initiatives.
- Improvements/experiences in individual departments and divisions were almost always more positive or extensive than those found throughout the entire enterprise.
- Many companies do not collect the kinds of metrics used in this survey, the broad-based “balanced scorecard” metrics that show the value of a process or program or project to an organization.
- Those companies who do collect metrics tend to focus on project/process measures, particularly those related to the triple constraint — project cost, schedule, and requirements.
- The measurement categories in this survey are high level — the actual metrics used within each organization vary dramatically, making apple-to-apple comparison impossible. High-level comparisons, however, can be made, which point to the significant value of project management to organizations.



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Summary Results

RESPONDENT PROFILE		<u>N</u>
Total Number of Respondents		103
2. Job Function		
CEO	2%	2
VP/Director Business Management	7%	7
Director, PM	24%	25
Project/Program Office Manager	19%	20
Project/Program Manager	40%	41
Other	8%	8
5. Company Sales Revenue		
Under \$50 million	10%	10
\$50 million to \$99 million	8%	8
\$100 million to \$499 million	16%	16
\$500 million to \$999 million	6%	6
\$1 billion to under \$3 billion	24%	23
\$3 billion or higher	35%	34
6. Company Industry		
Agriculture, Forestry, Fishing, Hunting	1%	1
Mining	1%	1
Utilities	10%	10
Construction	4%	4
Manufacturing	16%	16
Wholesale Trade	0%	0
Retail Trade	5%	5
Transportation and Warehousing	5%	5
Information	19%	20
Finance and Insurance	10%	10
Real Estate and Rental and Leasing	1%	1
Professional, Scientific, TechServices	16%	16
Management of Companies	1%	1
Administrative, Waste Mgt Services	0%	0
Educational Services	0%	0
Health Care and Social Assistance	2%	2
Arts, Entertainment, and Recreation	1%	1
Accommodation and Food Services	0%	0
Other Services	5%	5
Public Administration	5%	5
7. Enterprise or Department/Division Only		
Enterprise	42%	42
Department/Division Only	58%	57



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PM IMPROVEMENT INITIATIVES	MEAN	N
A1. PM Improvement Initiatives Implemented		
Project Office	47%	48
PM Methodology	76%	78
PM Integration	60%	61
Staff Training	74%	75
PM Software	51%	52
Professional Development Program	35%	36
Other	10%	10
A2. Years Engaged in PMII	3.12	100
A3. Cost of PMII	\$676,015.68	68
A4. Employees Affected by PMII	235.32	98

GENERAL

B1. PMII is Valuable

Strongly Disagree	10%	10
Disagree	0%	0
Undecided	7%	7
Agree	46%	47
Strongly Agree	37%	38

B2. Value of PMII Rating

1. Not Valuable	1%	1
2. Of Little Value	5%	5
3. Moderately Valuable	15%	15
4. Valuable	41%	42
5. Very Valuable	38%	38
AVERAGE RATING (1-5):	4.10	101

FINANCIAL MEASURES

C1. Return on Investment	88.10%	21
C2. Return on Capital Employed	25.45%	11
C3. Economic Value-Added	76.82%	11
C4. Sales Growth %	34.28%	18
C5. Sales Growth \$	\$8,203,847.00	13
C6. Productivity	61.17%	26
C7. Cost Savings	\$1,005,749.38	16
C8. Earnings Per Share	-1.00%	3
C9. Cash Flow Per Share	39.80%	5
C10a. Other Financial Measures	30.33%	9

CUSTOMER MEASURES

D1. Customer Satisfaction	33.44%	35
D2. Customer Retention	22.14%	14
D3. Customer Acquisition	31.00%	16
D4. Customer Profitability	25.91%	11
D5. Market Share	5.57%	7
D6. Customer Use	44.41%	17
D7a. Other Customer Measures	46.00%	10



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PROJECT/PROCESS MEASURES	<u>MEAN</u>	<u>N</u>
E1. Project Budget Performance	49.96%	53
E2. Project Schedule Performance	49.23%	56
E3. Requirements Performance	43.35%	49
E4. Process Errors	32.00%	24
E5. Defects	22.57%	23
E6. Rework	18.19%	21
E7. Resource Utilization	50.05%	19
E8. Time to Market	43.18%	17
E9. Scope Changes	31.32%	34
E10. Project Completions	51.03%	36
E11. Business Strategy	49.14%	21
E12. Project Risk	18.58%	19
E13a. Other Project Measures Criteria	28.71%	12
 LEARNING AND GROWTH MEASURES		
F1. Employee Satisfaction	36.00%	31
F2. Employee Turnover	4.39%	18
F3. Training Time	33.10%	30
F4. Employee Productivity	32.42%	26
F5. Employee Motivation	13.67%	18
F6. Employee Empowerment	30.67%	15
F7. Information System Availability	52.67%	15
F8a. Other Learning and Growth	35.57%	7



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